



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY FORCES COMMAND
1777 HARDEE AVENUE SW
FORT McPHERSON, GEORGIA 30330-1062

AFLG-PR

13 May 2002

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Contracting Information Letter 02-24, Performance-Based Services Acquisition (PBSA), Seven-Step PBSA Process

1. The purpose of this CIL is to identify seven easy steps to approach PBSA. It emphasizes the importance of collaborating with program offices and actions the DOC can take to successfully implement PBSA. It is imperative that program offices become a part of the acquisition team to work cooperatively toward a common goal. The goal is to execute contracts that meet the mission needs, provide the best value, enhance performance, and provide the government with a variety of solutions from which to choose.
2. The seven easy steps are intended to make PBSA achievable and shift the paradigm from traditional "acquisition think" to collaborative performance-oriented teamwork. The focus of PBSA is on improvement and program performance, not simply contract compliance. We provide the seven steps at Enclosure 1.
3. Enclosure 2 contains information you may use to educate the program offices and other customers regarding the benefits of PBSA. The acquisition workforce embraces PBSA. PBSA is a collective responsibility that involves representatives from budget, technical, contracting, logistics, legal, and program offices. It is imperative that we educate all involved in the process, especially those who have mission needs and who fund acquisitions.
4. More detailed information regarding the seven steps can be found at <http://oamweb.ossec.doc.gov> or you may contract Julie Grace, DSN 367-5690 or email gracej@forscom.army.mil.

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SEVEN STEP PROCESS TO APPROACH PBSA

Step 1 – Establish an Integrated Solutions Team. The trend today, given statutory, policy, and regulatory mandates, is that teams of people, working cooperatively toward a common goal, conduct acquisitions.

- Ensure senior management involvement and support
- Tap multi-disciplinary expertise
- Define roles and responsibilities
- Develop rules of conduct
- Empower team members
- Identify stakeholders and nurture consensus
- Develop and maintain the knowledge base over the project life
- Incentivise the team: Establish link between program mission and team members' performance

Step 2 – Describe the problem that needs solving. Planning for an acquisition should begin with business planning that focuses on the desired improvement. The first consideration is, what is the problem the agency needs to solve? What results are needed? Will it meet the organizational and mission objectives?

- Link acquisition to mission and performance objectives
- Define (at high level) desired results
- Decide what constitutes success
- Determine the current level of performance

Step 3 - Examine Public and Private Sector Solutions

- Take a team approach to market research
- Spend time learning from public sector counterparts
- Talk to private sector companies before structuring the acquisition
- Consider one-on-one meetings with industry

Step 4 - Develop Performance Work Statement or Statement of Objectives

Performance Work Statement (PWS)

- Conduct an analysis
- Apply the "so what?" test.
- Capture the results of the analysis in a matrix
- Write the PWS
- Let the contractor solve the problem including labor mix

Statement of Objective (SOO)

Explain the acquisition relative to agency's program/missions need and what problem needs solving (as identified under step two).

Describe the scope

Write performance objectives into the SOO

Make sure the government and the contractor share objectives

Identify constraints

Develop background

Make the final checks and maintain perspective

Step 5 – Decide how to measure and manage performance

Review the success determinants

Rely on commercial quality standards

Have the contractor propose the metrics and the quality assurance plans

Select only a few meaningful measures on which to judge success

Include contractual language for negotiated changes to the metrics and measures

Apply the contract-type order of precedence carefully

Use incentive type contracts

Consider “award term”

Consider other incentive tools

Recognize the power of profit as motivator

Develop partnerships with contractors

Step 6 – Select the right contractor

Compete the solution

Use down selection and “due diligence.”

Use oral presentations and other opportunities to communicate

Emphasize past performance in evaluation

Use best value evaluation for source selection

Assess solutions for issues of conflict of interest

Step 7 – Manage Performance

Keep the team together

Adjust roles and responsibilities

Assign accountability for managing contract performance

Add the contractor to the team at a formal kick off meeting

Regularly review performance in a Contract Performance Improvement Working Group

Ask the right questions

Report on the contractor's past performance

BENEFITS OF PBSA FOR PROGRAM MANAGERS

Increased likelihood of meeting mission needs

Focus on intended results, not process

Better value and enhanced performance

Less performance risk

No detailed specification or process description needed

Contractor flexibility in proposing solution

Better competition: not just contractors, but solutions

Contractor buy-in and shared interests

Shared incentives permit innovation and cost effectiveness

Less likelihood of a successful protest

Quality assessment: less frequent and more meaningful

Results documented for Government Performance and Results Act reporting, as by-product of acquisition

Variety of solutions from which to choose